

certain services for Mountaineer following completion of the Transaction.

Mountaineer is a natural gas distribution company that serves approximately 205,000 retail natural gas customers in West Virginia. It owns approximately 4,000 miles of natural gas distribution pipelines. Mountaineer's wholly-owned subsidiary Mountaineer Gas Services, Inc. ("MGS") operates natural gas producing properties, gas gathering facilities, and intra-state transmission pipelines. It also engages in the sale and marketing of natural gas in the Appalachian basin. MGS owns more than 300 natural gas wells and has a net revenue interest in, but does not operate, an additional approximately 100 wells. Mountaineer is regulated by the West Virginia Public Service Commission. Allegheny contributed \$162.5 million of equity into Monongahela when Monongahela purchased Mountaineer in 2000.

The Buyer is a limited partnership comprised of IGS Utilities LLC, IGS Holdings LLC ("IGS Entities") and affiliates of ArcLight Capital Partners, LLC ("ArcLight"). The Buyer was formed for the purpose of acquiring Mountaineer's common stock and the Related Assets. The principals of the IGS Entities have been involved in the natural gas industry since the mid-1980s. ArcLight is a privately held energy infrastructure investment firm with more than \$2.5 billion under management. Following completion of the Transaction, Mountaineer will become a wholly-owned subsidiary of the Buyer. It is the Applicants' understanding that the Buyer will request exemption under section 3(a)(1) under the Act and that ArcLight will seek relief under section 2(a)(7) of the Act.

On August 4, 2004, Monongahela and the Buyer executed an acquisition agreement ("Acquisition Agreement") under which Monongahela agreed to sell to the Buyer all of Mountaineer's common stock, the Related Assets, and other assets that do not constitute utility assets under the Act but that are integral to the operation of Mountaineer and the Related Assets. The purchase price for Mountaineer's common stock and the Related Assets was the result of arm's-length bargaining and will be determined according to a formula set forth in the Acquisition Agreement. At the time the Acquisition Agreement was executed, the price was estimated to be \$141 million in cash and \$87 million in assumed debt, subject to certain closing adjustments. In addition, the Buyer will settle certain inter-company accounts over a three-year period. The current

estimate of these amounts is approximately \$5 million. Upon closing of the Transaction, Mountaineer and MGS will be wholly owned subsidiaries of the Buyer, which will operate Mountaineer as a stand-alone gas utility based in Charleston, West Virginia. Mountaineer will own the Related Assets. Monongahela proposes to dividend the proceeds from the Transaction to Allegheny out of unearned surplus. The proceeds will be used to reduce debt.

In connection with the Transaction, AESC and the Buyer propose to enter into a transition services agreement ("TSA"). Under the TSA, AESC would perform various services for the Buyer. These services fall into three broad categories: (i) Financial accounting, (ii) technology services, and (iii) call center and billing services. AESC will provide financial accounting and technology services for a period up to 12 months from the date the Transaction closes. AESC will provide call center and billing services for succeeding one year terms beginning on the date the Transaction closes and continuing until terminated by either party under the terms of the TSA. Allegheny seeks Commission authorization for AESC to provide these services.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-51858; File No. SR-ISE-2005-26]

Self-Regulatory Organizations; International Securities Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fee Changes

June 16, 2005.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 19, 2005, the International Securities Exchange, Inc. ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the ISE. On June 2, 2005, the ISE filed Amendment No.

1 to the proposed rule change and on June 13, 2005, the ISE filed Amendment No. 2 to the proposed rule change.³ The ISE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the ISE under Section 19(b)(3)(A)(ii) of the Act,⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The ISE is proposing to amend its Schedule of Fees to establish fees for transactions in options on the Russell 1000 Index, the Russell 2000 Index, and the Mini Russell 2000 Index. The text of the proposed rule change is available on the ISE's Web site (http://www.iseoptions.com/legal/proposed_rule_changes.asp), at the principal office of the ISE, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the ISE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The ISE has prepared summaries, set forth in Sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The ISE is proposing to amend its Schedule of Fees to establish fees for transactions in options on the Russell 1000 Index ("RUI"), the Russell 2000 Index ("RUT"), and the Mini Russell

³ Amendment No. 1 made a technical change to the text of Exhibit 5 of ISE's Form 19b-4 submission. The correction to Exhibit 5 does not affect the fees for transactions in options on the Russell 1000 Index, the Russell 2000 Index, and the Mini Russell 2000 Index, but only corrects the text of Exhibit 5 to reflect the Schedule of Fees language in effect on May 19, 2005. In Amendment No. 2, the ISE provided to the Commission a copy of the corrected version of Exhibit 5 that was modified by Amendment No. 1.

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 7 CFR 240.19b-4(f)(2).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

2000 Index (“RMN”).⁶ Specifically, the Exchange is proposing to adopt an execution fee and a comparison fee for all transactions in options on RUI, RUT and RMN.⁷ The amount of the execution fee and comparison fee shall be the same for all order types on the Exchange—that is, orders for Public Customers, Market Makers, and Firm Proprietary—and shall be equal to the execution fee and comparison fee currently charged by the Exchange for Market Maker and Firm Proprietary transactions in equity options.⁸ The Exchange believes the proposed rule change will further the Exchange’s goal of introducing new products to the marketplace that are competitively priced.

The Exchange represents that it has entered into a license agreement with the Frank Russell Company in connection with the listing and trading of options on RUI, RUT, and RMN. As with certain other licensed options, the Exchange is adopting a surcharge fee of ten (10) cents per contract for trading in these options to defray the licensing costs. The Exchange believes that charging the participants that trade these instruments is the most equitable means of recovering the costs of the license. However, because of competitive pressures in the industry, the Exchange proposes to exclude Public Customer Orders⁹ from this surcharge fee. Accordingly, this surcharge fee will only be charged to Exchange members with respect to non-Public Customer Orders (e.g., Market Maker and Firm Proprietary orders) and shall apply to Linkage Orders¹⁰ under a pilot program that is set to expire on July 31, 2005.

2. Statutory Basis

The Exchange believes that the basis under the Act for this proposed rule

⁶ See Securities Exchange Act Release No. 51619 (Apr. 27, 2005), 70 FR 22947 (May 3, 2005) (File No. SR-ISE-2005-09) (order approving the trading of options on various Russell Indexes). The Commission notes that the term “Mini” Russell 2000 Index refers to options based upon one-tenth values of the Russell 2000 Index.

⁷ The Exchange represents that these fees will be charged only to Exchange members.

⁸ The execution fee is currently between \$.21 and \$.12 per contract side, depending on the Exchange Average Daily Volume, and the comparison fee is currently \$.03 per contract side.

⁹ Public Customer Order is defined in ISE Rule 100(a)(33) as an order for the account of a Public Customer. Public Customer is defined in ISE Rule 100(a)(32) as a person that is not a broker or dealer in securities.

¹⁰ See ISE Rule 1900 (defining Linkage Orders). The Commission notes that the surcharge fee will apply to the following Linkage Orders: Principal Acting as Agent (“P/A”) Orders and Principal Orders, for a pilot period currently set to expire on July 31, 2005.

change is the requirement under Section 6(b)(4) of the Act¹¹ that an exchange have an equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange believes that the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing rule change, as amended, establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹² and Rule 19b-4(f)(2)¹³ thereunder. At any time within 60 days of the filing of the amended rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹⁴

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

¹¹ 15 U.S.C. 78f(b)(4).

¹² 15 U.S.C. 78s(b)(3)(A)(ii).

¹³ 17 CFR 19b-4(f)(2).

¹⁴ The effective date of the original proposed rule change is May 19, 2005. The effective date of Amendment No. 1 is June 2, 2005 and the effective date of Amendment No. 2 is June 13, 2005. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on June 13, 2005, the date on which the ISE submitted Amendment No. 2. See 15 U.S.C. 78s(b)(3)(C).

Electronic Comments

- Use the Commission’s Internet comment form <http://www.sec.gov/rules/sro.shtml>; or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-ISE-2005-26 on the subject line.

Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-9303.

All submissions should refer to File Number SR-ISE-2005-26. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission’s Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the ISE.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2005-26 and should be submitted by July 13, 2005.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority,¹⁵

Margaret H. McFarland,

Deputy Secretary.

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¹⁵ 17 CFR 200.30-a(a)(12).